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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY



Telesector Resources Group

A subsidiary of New England Telephone
and New York Telephone

August 6, 1993

EX PARTE

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, DC 20554

RE: Docket No. 93-124, Operator Services Rulemaking

Dear Mr. Caton:

This is in response to certain statements made by American Telephone and Telegraph Company ("AT&T") in its July 21, 1993 filing in the above-referenced proceeding. AT&T argued that the Commission should create a separate price cap service category for operator services to prevent the local exchange carriers ("LECs") from making unwarranted rate increases. To support its argument that the current rules give the LECs too much pricing flexibility, AT&T presented an uncharacteristically distorted description of the actions of the NYNEX Telephone Companies ("NTCs"). AT&T stated that:

The LECs' ability to manipulate rates in this manner is illustrated by NYNEX's 1992 annual access tariff filing. There, NYNEX proposed increases of up to 47 percent in its rates for line status verification access service which that carrier has included in the interexchange basket and reductions of up to 50 percent for the "corridor" services NYNEX offers directly to end user customers in competition with IXCs.

This complaint is without merit. AT&T used selected references to rate changes that the NTCs made in their 1992 Annual Access Tariff Filing to make it appear that the NTCs raised their rates on "monopoly" services and tried to cross-subsidize below-cost rates for services where they compete with AT&T. Nothing could be farther from the truth.

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As the NTCs explained in the 1992 access case, they raised their rates for line status verification by between 22 and 47 percent to bring them closer to the state rates in New York and New England for similar services. This is the same reason why New York Telephone ("NYT") reduced its corridor rates for certain operator-assisted services by 27 to 50 percent. While AT&T complains about these rate reductions, it declines to mention that NYT increased other operator assisted rates by between 11 and 127 percent. Again, these rate increases were implemented to approximate state rates for similar services. If NYT were attempting to gain a competitive advantage in corridor services, it certainly would not have increased rates by 127 percent. Finally, NYT reduced its rates for corridor services other than operator assisted services by small amounts, ranging from 4 to 17 percent. These modest reductions primarily reflected reductions in the "Y" factor (the reduction in access rates that NYT must impute into its corridor rates).

AT&T's suggestion that the reductions in NYT's corridor rates were intended to put the interexchange carriers at a competitive disadvantage ignores the realities of the marketplace. NYT has an insignificant presence in the corridor market. As shown in the attached chart, NYT's corridor messages declined by 93 percent from 1986 to 1993. This reflected the fact that, as NYT implemented equal access, it lost the 1+ traffic that it previously carried on a default basis. It is difficult for NYT to market interLATA services in an equal access environment because a customer who presubscribes to NYT's interstate services can only receive service to a few counties in northern New Jersey. Consequently, since 1990, NYT's corridor traffic has never exceeded modest levels.

Thus, the complete facts on NYT's 1992 rate changes lend no support to AT&T's argument that the Commission should impose additional pricing constraints on the local exchange carriers by establishing a separate price cap service category for

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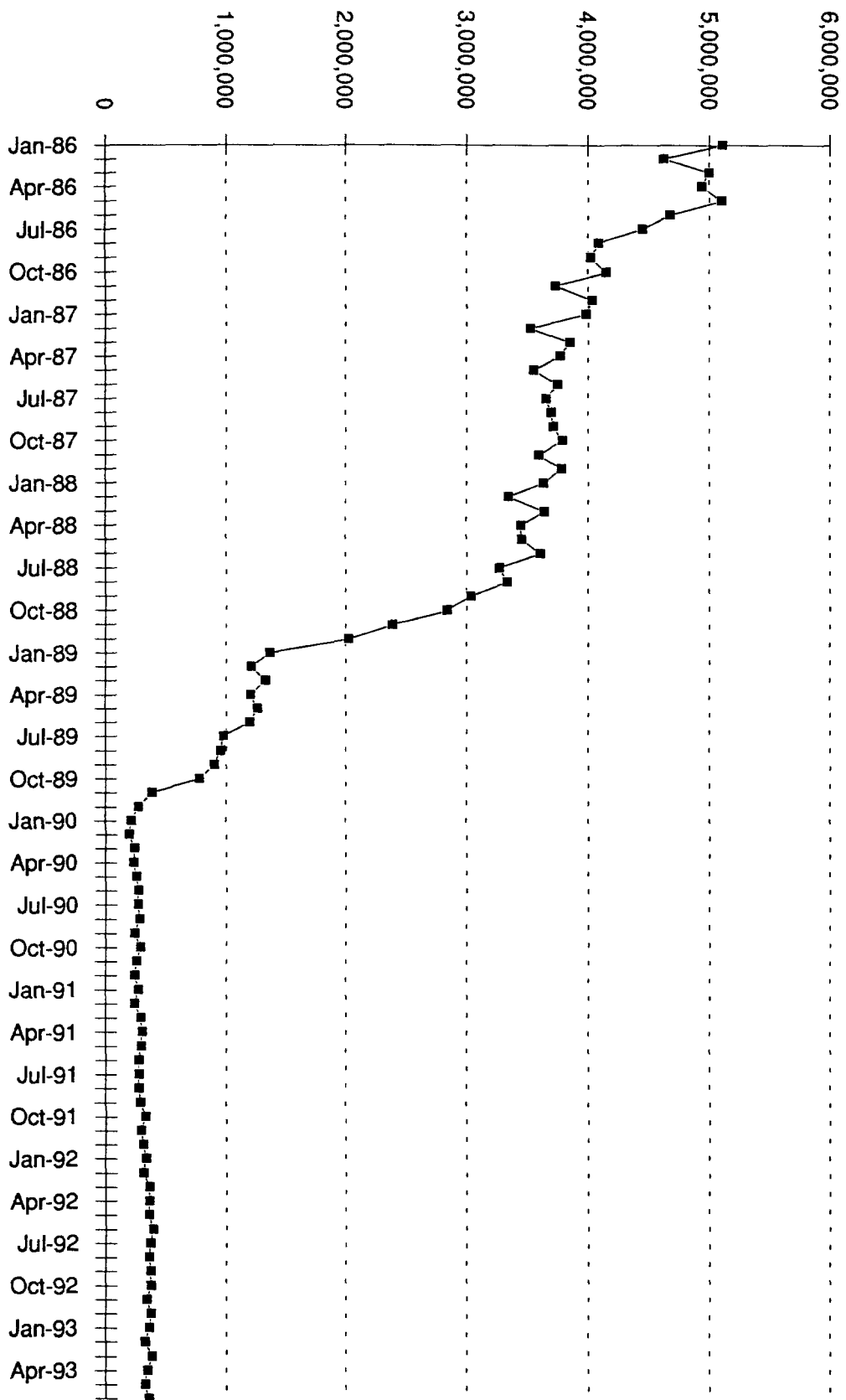
operator services. Neither AT&T nor the Commission has presented any evidence that the local exchange carriers have abused their pricing flexibility for operator services under the existing rules. If the Commission is inclined to place operator services in a different category, it should include them in the Information category, which should be renamed "Operator Services."

Sincerely,


Frank J. Gumper

cc: K. Levitz
J. Ross-Meltzer
L. Oliver
J. Hoagg
all parties in Docket 93-124

NY/NJ CORRIDOR
NYT ORIG MSGS



**NY TO NJ MSGS
TOTAL**

Jan-86	5,101,572	Jan-90	214,997
Feb-86	4,621,033	Feb-90	189,444
Mar-86	4,995,417	Mar-90	233,539
Apr-86	4,937,347	Apr-90	230,245
May-86	5,097,822	May-90	253,601
Jun-86	4,673,188	Jun-90	264,216
Jul-86	4,447,939	Jul-90	263,911
Aug-86	4,085,601	Aug-90	278,313
Sep-86	4,020,847	Sep-90	238,181
Oct-86	4,150,016	Oct-90	282,918
Nov-86	3,729,798	Nov-90	253,241
Dec-86	4,032,886	Dec-90	238,649
Jan-87	3,979,663	Jan-91	271,686
Feb-87	3,524,039	Feb-91	235,537
Mar-87	3,850,288	Mar-91	286,045
Apr-87	3,770,855	Apr-91	301,864
May-87	3,550,855	May-91	294,658
Jun-87	3,749,163	Jun-91	269,977
Jul-87	3,651,638	Jul-91	274,856
Aug-87	3,698,127	Aug-91	273,854
Sep-87	3,710,176	Sep-91	286,548
Oct-87	3,786,886	Oct-91	325,514
Nov-87	3,597,302	Nov-91	289,587
Dec-87	3,782,566	Dec-91	309,545
Jan-88	3,631,392	Jan-92	332,108
Feb-88	3,341,965	Feb-92	308,330
Mar-88	3,639,261	Mar-92	360,857
Apr-88	3,449,234	Apr-92	361,581
May-88	3,452,799	May-92	361,581
Jun-88	3,611,152	Jun-92	390,625
Jul-88	3,272,174	Jul-92	370,299
Aug-88	3,331,796	Aug-92	362,052
Sep-88	3,030,691	Sep-92	374,982
Oct-88	2,834,398	Oct-92	374,536
Nov-88	2,384,383	Nov-92	335,649
Dec-88	2,023,938	Dec-92	372,665
Jan-89	1,360,558	Jan-93	357,806
Feb-89	1,207,463	Feb-93	324,092
Mar-89	1,327,706	Mar-93	382,819
Apr-89	1,202,761	Apr-93	348,539
May-89	1,258,857	May-93	325,268
Jun-89	1,192,598	Jun-93	354,008
Jul-89	973,625		
Aug-89	952,146		
Sep-89	898,493		
Oct-89	772,678		
Nov-89	382,760		
Dec-89	270,159		